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**For Immediate Release:  
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## **CITY SUES IRS TO BLOCK EFFORT TO DENY HARTFORD AREA TAXPAYERS PAYMENTS**

**HARTFORD, CT** - The City of Hartford filed a Civil Rights action in U.S. District Court today to block U.S. Internal Revenue Service Commissioner Mark W. Everson from denying and delaying payments to 8,200 Hartford area families who receive the Earned Income Tax Credit (EITC) (4,100 in the city of Hartford) the majority of whom are African-American and Latino.

The Hartford pre-audit effort constitutes one third of the entire nationwide "test" of the EITC by the IRS and would allow the IRS to withhold EITC payments to Hartford area taxpayers until the taxpayers submitted sworn statements from third parties (ministers, daycare workers, etc) proving that their children resided with them for more than six months out of the year.

The amount of delayed or denied payments could exceed \$14 million in the Hartford area alone. The taxpayers targeted in this pre-audit effort are not suspected of fraud. However, the IRS is testing fraud/error reduction techniques to see how many taxpayers fail to collect their benefit as a result of using the pre-audit technique.

continued

**The lawsuit alleges in part:**

1. The IRS Commissioner has never been authorized by Congress to selectively deny or delay payments to taxpayers simply because they have been identified for participation in a test of “error reduction techniques”.
2. The pre-audit of Hartford area taxpayers is a violation of their Civil Rights and will disproportionably deny/delay payments to working families of color and those with a limited proficiency in English.
3. The pre-audit makes no provisions to prevent the denial/delay of payments for those who have been called up to active duty military service.

“The IRS effort to delay and deny tax payments under the EITC program to Hartford taxpayers is part of a continuing effort by this administration and the Republicans in Congress to dismantle the EITC program, a significant source of tax relief for working families,” stated Mayor Eddie A. Perez.

“The fact that African-American and Latino taxpayers are being targeted in Hartford by the IRS for a “test” that could result in millions of dollars of delayed and denied payments to which they are legally entitled is a clear abuse of the authority of the IRS and an unacceptable burden on our city and region.”

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**FACT SHEET EARNED INCOME TAX CREDIT AUDIT IN HARTFORD**

- In 2003 The EITC program provided tax payments for 20 million working families nationwide who file tax returns and make less than \$32,000.
- In the City of Hartford 16,329 families received \$29, 225,084 in tax payments. The majority of those working families made between \$10K-\$30K in income a year.
- In Hartford County 46,082 families received \$73, 683,226 in payments.
- In Hartford and nationwide the vast majority of those claiming the EITC use a paid tax preparer to navigate the 53 pages of IRS instructions. A 1999 report by the IRS claimed 20-30% of these returns contained erroneous payments.
- In order to reduce erroneous payments the IRS has decided to target EITC recipients (as opposed to tax preparers) to test if requiring them to present

affidavits from third parties about the residence of their claimed children would reduce errors.

- This year the IRS has targeted 25,000 EITC taxpayers nationwide for a pre-audit of their children's residence. One third (8,200) of the national test will be conducted in Hartford/Hartford County.
- Those who receive the EITC and are contacted by the IRS are not suspected of fraud, however, they will have their refund held up or delayed until they provide documentation acceptable to the IRS proving their children resided with them over six months in a year.
- Taxpayers who are targeted and don't obtain a third party affidavit may be denied EITC payments for subsequent years.
- The IRS conducted a national random pre-audit effort of 25,000 taxpayers last year and has yet to release the results of that test as required by law. Preliminary information leaked out from that test reveals thousands of taxpayers had their benefits delayed and a significant number eligible for the EITC payment failed to file as they were intimidated by the IRS pre-audit procedures.

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